

MINUTES

**North Dakota Public Employees Retirement System
Thursday, September 26, 2002
Fort Union Room,
State Capital
Bismarck, North Dakota**

Members Present:

Via Conference call

Chairman Jon Strinden

Mr. David Gunkel

Ms. Rosey Sand

Mr. Howard Sage

Mr. Weldee Baetsch

Ms. Tabor

Absent

Dr. Terry Dwelle

Others Present:

Mr. Sparb Collins, Executive Director NDPERS

Mr. Scott Miller, Attorney General's Office

Ms. Denise Curfman, NDPERS

Ms. Kathy Allen, NDPERS

Ms. Deb Knudsen, NDPERS

Mr. Bryan Reinhardt, NDPERS

Ms. Arvy Smith, Health Department

Mr. Larry Brooks, BCBS

Ms. Rhonda Peterson, BCBS

Mr. Tom Tupa, INDSEA

Mr. Howard Snortland, AFPE

Ms. Connie Flanagan, RIO

Mr. Steve Cochrane, RIO

Mr. Chris Conradi, GRS

Mr. Mike Carter, GRS

Chairman Strinden called the meeting to order at 8:30 AM.

Minutes

Chairman Strinden called for any questions or comments regarding the August 29, 2002 NDPERS Board minutes.

Ms. Tabor moved approval of the August 29, 2002 NDPERS Board minutes. Ms. Sand seconds.

Actuarial Review of the Proposed Expansion of the Defined Contribution Plan (Informational)

Mr. Michael Carter and Mr. Chris Conradi, of GRS, presented their actuarial study to the Board.

The study concluded:

- Past two years of economic downturn changes the picture significantly compared to similar study in 2000.
- Contribution rate climbs about 4.12% with or without optional DC plan.
- UAAL increases in either case
- Funded ratio levels out at around 90%
- Based on assumptions and methods, DB plan is not harmed by optional DC program
 - * Contribution rate must increase to higher level with optional DC plan- 8.25% vs. 7.28% - but total contributions are somewhat less with DC plan (6.86% vs. 7.28%)
- External cash flow may become an issue in 15-20 years, but still will not force significant changes to allocation or assumed investment return in the near future.
- The picture would not have been as pessimistic if we hadn't assumed 2.0% annual ad hoc post-retirement benefit increases.

Investment Programs Review (Informational)

Mr. Steve Cochrane, State Investment Officer and Ms. Connie Flanagan, of RIO, provided an update on the states investment returns for the year ending June 30, 2002.

Compliance Update – (Informational)

Ms. Allen indicated that both Safeco and Zurich-Kemper responded within the 60-day limit imposed by the Board and took the actions required to be in compliance with the Provider Administrative Agreement.

Open Enrollment (Informational)

Ms. Allen indicated that in the past staff has conducted several annual enrollments throughout the year each targeting a specific benefit plan. These plans are the group life, dental, FlexComp, long term care, and effective this year the new vision plan. Over the past year staff has been working toward a goal to conduct one annual enrollment that includes all these programs. Ms. Allen indicated that staff has met that goal this fall with the introduction of the "NDPERS Annual Open Enrollment Season."

Ms. Allen handed out a sample of the annual enrollment packet that was mailed to the home addresses of all eligible members the week of September 23rd.

Life Renewal (Board Action Requested)

Ms. Allen reviewed the ING renewal for July 1, 2003, which was included in the board materials.

Ms. Allen indicated that staff is also proposing a plan design change. Currently eligible early retirees of the PERS system that are participating in the life plan at the time of retirement are allowed to continue the \$1,300 basic life coverage for their lifetime. However, eligible early retirees that have an early retirement agreement with a state university or college are allowed to continue their basic life and employee, dependent and spouse supplemental insurance until they reach age 65 at which time they can elect to continue the basic coverage of \$1,300 for life. Because this policy is inconsistent, staff is proposing that the option to continue supplemental coverage for the university employees be discontinued and that upon retirement, these early retirees would be offered the same \$1,300 benefit available to all other similarly situated retirees. The policy would be effective July 1, 2003 and would be applied on a prospective

basis in order to grandfather the seven university system retirees currently carrying supplemental group life coverage.

ING has indicated that this change will have no effect on our premium rates.

After discussion the Board directed staff to look at the possibility of allowing all eligible early retirees to continue supplemental coverage to age 65.

No action taken.

Ameritas Contract (Board Action Requested)

Ms. Allen reviewed the draft of the Ameritas Contract for the group vision plan that will be effective January 1, 2003, which was included in the board materials. Ms. Allen indicated that the contract has been reviewed by staff and legal counsel. Staff notes two items that remain to be addressed:

- Under the Coordination of Benefits section the subheading "Right to Receive and Release Necessary Information, a statement should be added to the effect that "any information received and maintained will be in a manner consistent with all applicable state and federal laws.
- Under the General Provisions section the subheadings Notice of Claim, Claim Forms and Proof of Loss statements must be clarified.

Mr. Sage moved approval of the Ameritas Contract subject to the resolution of:

- **Under the Coordination of Benefits section the subheading "Right to Receive and Release Necessary Information, a statement should be added to the effect that "any information received and maintained will be in a manner consistent with all applicable state and federal laws.**
- **Under the General Provisions section the subheadings Notice of Claim, Claim Forms and Proof of Loss statements must be clarified.**

Ms. Tabor seconds.

Ayes: Baetsch, Gunkel, Sand, Sage, Tabor, and Chairman Strinden.

Nays: None

Absent: Dwelle

PASSED

Surplus/Affordability Update (Informational)

Mr. Reinhardt provided an over view of the report for the board.

BCBS Renewal (Board Action Requested)

Ms. Tabor motioned to enter into Executive Session under NDCC section 44-04-19.1(7), at 11:35 AM to discuss the BCBS renewal proposal.

Ms. Sand seconds.

Ayes: Baetsch, Gunkel, Sand, Sage, Tabor, and Chairman Strinden.

Nays: None

Absent: Dwelle

PASSED

Present in Executive Session:

Via conference call

Chairman Jon Strinden
Mr. David Gunkel
Ms. Rosey Sand
Mr. Howard Sage
Mr. Weldee Baetsch
Ms. Tabor
Dr. Terry Dwelle

Others Present:

Mr. Sparb Collins, Executive Director NDPERS
Mr. Scott Miller, Attorney General's Office
Ms. Denise Curfman, NDPERS
Ms. Kathy Allen, NDPERS
Ms. Deb Knudsen, NDPERS
Mr. Bryan Reinhardt, NDPERS
Ms. Arvy Smith, Health Department

Mr. Sage motioned to close Executive Session at 12:10 PM.
Ms. Sand seconds.

Ayes: Baetsch, Gunkel, Sand, Sage, Tabor, Dwelle and Chairman Strinden.

Nays: None

Absent: None

PASSED

Chairman Strinden called meeting into open session at 12:10PM.

Ms. Tabor asked for staff recommendation.

Mr. Collins indicated staffs recommendation is to move forward with BCBS renewal by:

1. Confirm the agreement relating to the wellness benefit, renewal methodology and large case management.
2. Lowering annual EPO rate.
3. Set up a reserve fund to reduce the rates. (Staff would use \$3,000,000 as the estimated amount in the reserve fund at the end of the biennium).
4. Adjust the administrative fee to reflect \$2.80 that PERS has historically charged.

Ms. Tabor moved approval of staff recommendation.

Mr. Gunkel seconds.

Ayes: Baetsch, Gunkel, Sand, Sage, Tabor, Dwelle and Chairman Strinden.

Nays: None

Absent: None

PASSED

Chairman Strinden called for any other business.

Mr. Collins indicated that all amendments have been given to the Employee Benefits Committee on Monday. Copies are available at request.

Staff presented the NDPERS budget presentation to OMB. Copies of that presentation are available at request.

Mr. Collins also informed the board of another proposed bill, prepared by the Legislative Health Committee, relating to NDPERS and mandated benefits. Mr. Collins provided testimony at the hearing last week. The concept of the bill is that any new mandates considered by legislature will first go into effect in the PERS plan for two years; PERS will then analyze the mandates at the end of the first year and report to the General Assembly. Historically mandated benefits have not gone into the PERS plan until the biennium after they have been passed.

Next meeting is scheduled for October 24th.

Chairman Strinden called for any other business, hearing none the meeting adjourned at 12:15 PM.

Respectfully Submitted

Denise A. Curfman

Denise A. Curfman
Secretary, NDPERS Board